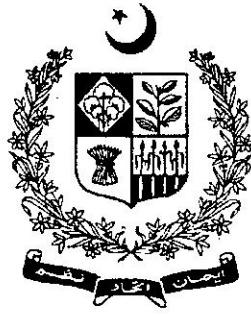


REPORT ON
1ST BIENNIAL MONITORING ON
THE IMPLEMENTATION OF
NFC AWARD

(July — December, 2021)

Government of Pakistan
NATIONAL FINANCE COMMISSION SECRETARIAT



**REPORT ON
1ST BIANNUAL MONITORING ON THE
IMPLEMENTATION OF NFC AWARD**

(July – December, 2021)

GOVERNMENT OF PAKISTAN
NATIONAL FINANCE COMMISSION SECRETARIAT

PREFACE

Article 160 of the Constitution of Islamic Republic of Pakistan authorizes the President of Pakistan to approve distribution of revenues between the federation and the provinces through an Order (the NFC Award), on the recommendations of the National Finance Commission (NFC).

2. The 7th NFC Award was signed on 30th December, 2009 and its recommendations were given legal cover with effect from 1st July, 2010, through President's Order No.5 of 2010 (Distribution of Revenues and Grants-in-Aid Order, 2010).

3. Clause 3(B) of Article 160 of the Constitution of Islamic Republic of Pakistan provides as follows:

“Federal Finance Minister and Provincial Finance Ministers shall monitor the implementation of the Award biannually and lay their report before both Houses of Majlis-e-Shoora (Parliament) and the Provincial Assemblies.”

4. In pursuance of the above provision, it is imperative upon the Finance Ministers of the Federal and Provincial Governments to monitor implementation of the Award biannually and lay a report before both Houses of the Parliament and Provincial Assemblies.

5. The Bi-Annual monitoring report for the period from July to December, 2021 was approved by the Federal and Provincial Finance Ministers for laying before both Houses of the Parliament and Provincial Assemblies.

6. The Bi-Annual Report contains total FBR collections during July – December, 2021, details of Non Divisible Pool Components, Vertical Distribution of shares between the Federal and Provincial Governments, Horizontal Distribution of shares between the Provinces and detail of Grant-in-Aid as well as Straight Transfers to the Provinces.

7. The report also includes detail of efforts by the Federal and Provincial Governments to streamline their tax collection system to reduce leakages and increase their revenues as well as efforts undertaken for maintaining fiscal discipline at Federal and Provincial level during the reported period.

Hamed Yaqoob Sheikh
Finance Secretary
Finance Division

Islamabad, the, 2023

Contents

<i>Executive Summary</i>	<i>iii</i>
Chapter-1	1
Introduction	1
Chapter-2 Division of Divisible Pool Taxes	2
2.1: <i>FBR Tax Receipts</i>	2
2.2: <i>Distribution of Divisible Pool Taxes</i>	2
2.3: <i>Vertical Distribution</i>	3
2.4: <i>Horizontal Distribution</i>	4
Chapter-3	7
Straight Transfers / Grants-in-Aid	7
3.1: <i>Distribution of Royalty on Crude Oil</i>	7
3.2: <i>Distribution of GDS and Royalty on Natural Gas</i>	7
3.3: <i>Distribution of Excise Duty on Natural Gas</i>	8
3.4: <i>Grant-in-Aid to Sindh Province</i>	8
Chapter-4	9
General Sales Tax on Services	9
4.1: <i>General Sales Tax on Services (GSTS)</i>	9
Chapter-5	10
Miscellaneous provisions of President's Order	10
5.1: <i>Miscellaneous</i>	10
5.2: <i>Streamlining Tax Collection</i>	10
5.3: <i>Fiscal Discipline</i>	20

EXECUTIVE SUMMARY

This 1st Biannual Monitoring Report on implementation of 7th NFC award covers the period from July to December, 2021 of Financial Year 2021-22. Total tax collection, as reported by FBR, remained Rs.2,876.803 billion for the period under report. After subtracting non-divisible pool components and 1% each as collection charges and additionality for Khyber Pakhtunkhwa on account of War on Terror (WoT), the net divisible pool comes to Rs.2,797.790 billion. The Provincial share comes to Rs.1,608.729 billion, leaving a balance of Rs.1,189.061 billion for Federal Government. The Provincial share has been distributed as: Rs.832.357 billion to Punjab (51.74%), Rs.394.943 billion to Sindh (24.55%), Rs.235.196 billion to Khyber Pakhtunkhwa (14.62%), and Rs.146.233 billion to Balochistan (9.09%). Khyber Pakhtunkhwa received Rs. 28.261 billion on account of War on Terror.

During the period July to December, 2021, Rs. 19.703 billion, Rs. 24.620 billion and Rs. 8.380 billion were collected on account of Royalty on Crude Oil, Gas Development Surcharge & Royalty on Natural Gas respectively which were transferred to the Provinces. Similarly, an amount of Rs. 2.968 billion has been transferred to provinces on account of excise duty on Natural Gas during the reported period.

The Province of Sindh is entitled to receive grant-in-aid equivalent to 0.66% of the provincial share out of the net proceeds of the divisible pool, as compensation for losses on account of abolition of Octroi and Zilla Tax (OZT). Accordingly, an amount of Rs.10.618 billion was released to Government of Sindh on this account.

INTRODUCTION

1.1 The recommendations of the 7th NFC (Award), concluded on 31th December, 2009, were given legal cover through President's Order No.5 of 2010 "***Distribution of Revenues and Grants-in-Aid Order 2010***" (***Annex-I***). The main responsibilities entrusted to the Federal and Provincial Governments through this Award are:

- a. Distribution of Divisible Pool Taxes between the Federation and Provinces and amongst the Provinces as prescribed in the Award (Articles 3 and 4 of the Order).
- b. Transfers of royalties, surcharge on gas, and excise duty on gas to the Provinces as prescribed in the Award/Constitution (Articles 5 & 6 of the Order).
- c. Provision of obligatory grants to Provinces as prescribed in the Award (Article 7 of the Order).
- d. Entrusting collection powers of GST on Services to Provinces (Article 8 of the Order).
- e. Achieving 15% tax to GDP ratio by the terminal year of the Award i.e. 2014-15. To achieve this target, a path was recommended by the NFC for both Federal and Provincial Governments (Clause 2 of Article 9 of the Order).
- f. Maintaining fiscal discipline both at Federal and Provincial levels (Clause 3 of Article 9 of the Order).

1.2 Clause (3B) of Article 160 of the Constitution empowers the Federal and Provincial Finance Ministers to monitor implementation of the Award biannually and lay a report in this regard in both Houses of the Parliament and the Provincial Assemblies. This 1st Biannual report presents the implementation status of the above provisions of the President's Order for the period from July to December, 2021.

TABLE-II: Calculation of Gross Divisible Pool Taxes

(Rs. in billion)	
	1 st half of FY 2021-22
Total Collection of FBR Receipts	2,876.803
Less Non-Divisible Pool Components	12.216
<i>WWF</i>	3.519
<i>GST on Services (ICT)</i>	1.335
<i>Excise Duty on Natural Gas</i>	3.029
<i>Exp. Development Surcharge</i>	4.333
<i>Refund through Supplementary Grant</i>	0
Gross Divisible Pool Taxes	2,864.587

2.3: Vertical Distribution

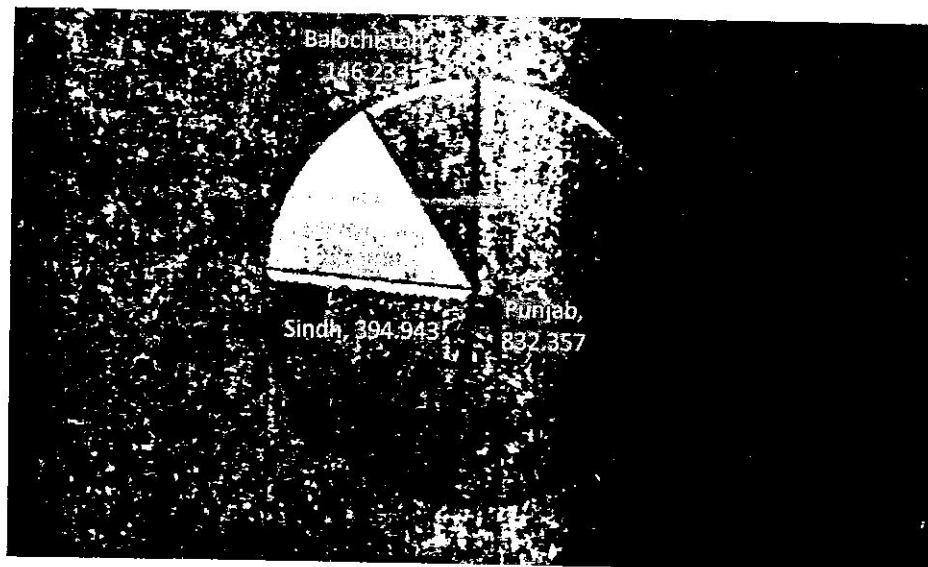
2.3.1 After subtracting the non-divisible pool components out of FBR receipts, net divisible pool is determined by deducting cost of collection. The entire proceeds are then distributed between the Federation and Provinces in accordance with the provisions of Articles 3 and 4 of the President's Order. The details of vertical distribution are as follows:

Table-III: Vertical Distribution of Shares (July-December, 2021)

(Rs. in billion)						
Divisible Pool Taxes	FBR Collection Reported	Collection Charges (1%)	Net Divisible Pool Taxes	1% set aside for WoT for KPK	Balance Net Div. Pool	Provincial Share (57.5%)
Divisible Pool Taxes	2,864.587	* 38.536	2,826.051	28.261	2,797.790	1,608.729
Income Tax	989.041	19.781	969.260	9.693	959.568	551.751
Capital Value Tax	0.129	0.001	0.128	0.001	0.126	0.073
Sales Tax (Excl. GST on Services)	1,266.186	12.662	1,253.524	12.535	1,240.989	713.569
Federal Excise Duty (Excl. ED on NG)	141.370	1.414	139.956	1.400	138.557	79.670
Customs (Excl. Export Dev. Surcharge)	467.861	4.679	463.182	4.632	458.551	263.667

* Includes additional deduction of 1% on account of Income Tax Paid out of the Federal Consolidated Fund, being not part of the divisible pool taxes.

2.4.2 Following Pie chart shows Horizontal Distribution of Provincial Share:-



2.5 Additionality to Khyber Pakhtunkhwa & Balochistan

2.5.1 Article 3(2) of the President's Order entitles Province of Khyber Pakhtunkhwa to receive 1% of the net proceeds of undivided divisible pool taxes in addition to its formal share, on account of losses on War on Terror (WoT). An additional amount of Rs. 28.261 billion has been paid to Khyber Pakhtunkhwa Province on this account during the period of report. As this arrangement remains protected during the currency of the Award, the share of Khyber Pakhtunkhwa Province is calculated as under:-

Table-V: Additional Funds to Khyber Pakhtunkhwa (WoT)

	(Rs. in billion)
	July-Dec, 2021
Share in the Divisible Pool (14.62%)	235.196
1% War on Terror	28.261
Total:-	263.457

STRAIGHT TRANSFERS/GRANTS-IN-AID

3.1: Distribution of Royalty on Crude Oil

3.1.1 Article 5 of the Order relates to the distribution of net proceeds of royalty on crude oil. Petroleum Division is responsible for collection of this levy and reports to Finance Division on monthly basis for onward transfer to the Provinces. Accordingly, entire net proceeds reported by Petroleum Division during July – December, 2021, were distributed amongst the provinces in accordance with the said provision, which are as follows:

Table-VII: Royalty on Crude Oil

(Rs. in billion)					
	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
(July – December, 2021)	2.799	7.442	9.279	0.183	19.703

3.2: Distribution of Gas Development Surcharge and Royalty on Natural Gas

3.2.1 Article 6 of the President’s Order (Award) governs distribution of Development Surcharge on Gas (GDS) and Royalty on Natural Gas. Petroleum Division is the collection agency for these two levies. The proceeds collected are reported to Finance Division on monthly basis for onward transfer to Provinces. Accordingly, entire net proceeds of Royalty and Development Surcharge on Gas reported by Petroleum Division were distributed amongst the Provinces in accordance with said provision. Following table gives details of distribution:

Table-VIII: Royalty on Natural Gas and GDS (July – Dec, 2021)

(Rs. in billion)					
	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Royalty on Natural Gas	0.774	15.139	3.064	5.643	24.620
Gas Dev. Surcharge	0.490	5.734	0.932	1.224	8.380

GENERAL SALES TAX ON SERVICES

4.1 General Sales Tax on Services (GSTS)

4.1.1 Article 8 of the Order relates to General Sales Tax on Services. The 7th NFC accepted that General Sales Tax on Services is a Provincial subject under the Constitution and may be collected by the respective Provinces, if they so desire.

4.1.2 All Provincial Governments have established their own Revenue Agencies and collecting GST on Services by themselves. Details of the GST collected by the Provincial Revenue Authorities during the period under report are as under:-

Table-X: GST Collection by the Provinces

	B.E. 2021-22	Receipt up to December, 2021	Rs. In billion (%) over B.E.
Provinces	347.700	145.670	41.89%
Punjab	150.900	68.721	45.54%
Sindh	150.000	61.256	40.84%
Khyber Pakhtunkhwa	24.800	9.985	40.26%
Balochistan	22.000	5.708	25.94%

preventing smuggling of illicit goods through implementation of a robust, nationwide, electronic monitoring system through the affixation of tax stamps on various products at the production stage. This enables FBR to trace the entire supply chain of manufactured goods.

ii) **Point of Sales (POS)**

Point of Sales (POS) Invoicing System is a pathway towards Digitization. Responding to the growing needs of digitization of economic transactions in Pakistan, FBR has launched POS Invoicing, which is a computerized system for recording sales data, managing inventory and maintaining customer data. It is a real-time sales documentation system that links the electronic systems at the outlets of all tier-I retailers with the FBR via internet. The system is aimed to ensure that all sales are reported in real-time to FBR and are duly accounted for in monthly sales tax returns of such retailers and that the sales tax collected by the retailers is duly deposited in government treasury.

iii) **Automated issuance of refunds**

To facilitate taxpayers, centralized automated refund system has been introduced with no requirement for manual application and verification. The system-based verification system issues refund directly into the bank accounts of taxpayers without any requirement with face-to face interactions with tax authorities. The enabling legal framework has also been provided through insertion of relevant provisions in tax laws.

iv) **Single Sales Tax Portal/Return**

Building further on its vision to facilitate taxpayers and ensure ease of doing business through automation, digitization, and minimization of human interaction with taxpayers; FBR has launched Single Sales Tax Portal. This facility will enable taxpayers to file single monthly Sales Tax returns instead of multiple returns on different portals; thereby, significantly reducing the time and cost of

ix) Risk based Audit

FBR has developed a centralized Risk based Audit Management System (RAMS) for selection of audit cases centrally on the basis of pre-determined risk parameters. Selection of scientific matrix, allowing allocation and distribution of weightage to different parameters in Risk Grid, will segregate the potential and high-risk cases for audit through parametric computer balloting.

x) Transformation of traditional audit processes through e-Audits

FBR is also moving for **Instituting Data analytics for E-Audit** through transformation in the traditional audit processes. Through this system, the correspondence between taxpayers and the tax department would totally be electronic till the conclusion of audit proceedings. The process will be technology driven with least human interference and system based controls for ensuring transparency of the process.

xi) Automation of audit monitoring system

A software solution is under process to provide continuous monitoring of the audit cases with sufficient documentation and assistance to the auditors.

B) Customs:

i) Pakistan Single Window (PSW)

To achieve trade facilitation in automated environment, reduce clearance times for legitimate trade, improved compliance through increased access to regulatory information and functions, the system of Pakistan single Window (PSW) has been launched. This ensures greater collaboration and coordination between Customs and other border regulatory agencies at the national and international level for border management and increases transparency in regulatory processes and decision-making.

Government of the Punjab

- i) Despite continuation of tax relief and concessionary measures introduced due to the COVID-19 pandemic, the Government of Punjab performed exceptionally well in achieving its targets through improved tax administration and compliance. Provincial tax receipts stood at Rs.129.045 billion at end-December 2021 showing an increase of 8 percent compared to the same period last year. Similarly, Rs.75.683 billion was collected as non-tax receipts during the period. This was achieved without imposition of any major new taxes or increasing the tax rates.
- ii) E-pay Punjab, the digital interface for public-to-government and business-to-government payments, not only facilitated public at large but also contributed towards increasing Provincial revenues. Over 5.6 million digital transactions had taken place till December 2021 with collection of around Rs.30 billion for the Province. 10 Provincial Departments and payment of 23 taxes have been digitized for ease of public. During the period, the price magistrate fines, procurement fee of Irrigation Department, registration fee of private colleges, traffic challans, and examination fee of Punjab Public Service Commission were added to E-pay Punjab.

Government of Sindh

Following measures have been taken by Sindh Government to streamline tax collection and maintaining fiscal discipline:

- i) E-stamping system has been implemented in Sindh province. It is expected that the system will control the leakages of stamping process and enhance the revenue.
- ii) Other projects related to Online collection of taxes, including e-Mutation of land record, e-Crop Assessment and e-Collection of Land Revenue, Facilitation to taxpayers and improvement in administration system are also in process.

previous Financial Year 2020-21. As such Government of Khyber Pakhtunkhwa has increased the target of revenue generating departments for the Current Financial Year 2021-22 for moving towards the self-reliance of the Province. However, Government has exempted several taxes (including Capital Value Tax, Professional Tax and Land Tax). Registration fee has also been reduced to Rs.1 for all vehicles upto 2500CC and free re-registrations.

- ii) Sales Tax on services for more than 17 categories/sectors has been reduced by the Government. Reduced the rate of Sales Tax to 1% for 10 categories/sectors including Print Media, Industrial Workshops, Cinematographic Services, Property Dealers, etc. Total collection on account of Sales Tax on services collected by Khyber Pakhtunkhwa Revenue Authority (KPRA) is Rs.9,980.282 million during the period July-December, 2021.
- iii) Modern digital system for settlement of transaction of Government receipts and payments has been adopted to make the system more efficient and customer friendly. This online payment system is called Alternate Delivery Channel (ADC). Due to adoption of Alternate Delivery Channel, Government will get real time receipts and transaction settlement without any delay as well help in increasing tax revenue collection of the Province.
- iv) Total target of Rs.75,000 million (Tax & Non-Tax) has been assigned to the Provincial revenue generating departments. A sum of Rs. 24,537.981 million has been realized on account of Provincial Own Receipts during the period July to December, 2021 which constitutes 65% of the proportionate target of Rs.37,500 million as under: -

Rs: in million			
Head	Budget Estimates 2021-22	Proportionate Budget July to December 2021	Actual Realization July to December 2021
Tax Department	43,189.000	21,594.500	17,163.821
Non-Tax Department	31,811.000	15,905.500	7,374.160
Total	75,000.000	37,500.000	24,537.981

- including their operations, legal framework and capacity (ICT, infrastructure and HR) constraints;
- c) The analysis and recommendations will be informed by relevant international good practices;
 - d) The review will also identify potential sources of non-tax revenues for which the provincial government is competent under the Constitution to levy or collect;
 - e) Identifying and evaluating the weaknesses in the existing legal framework of all non-tax revenue collection system, including causes of low receipts and recommending solutions;
 - f) Preparing and giving presentation in respect of the activities and draft findings to the respective Administrative Department(s) and Finance Department, Government of Balochistan, whenever required.
- ii) Review Revenue forecasting system of non-tax revenue of Government of Balochistan, and prepare guidelines/methodology/techniques for non-tax revenue forecasting;
 - iii) Review procedures of non-tax revenues' recording, reporting, reconciliation, transfer to provincial Consolidated Fund and recommend reforms;
 - iv) Prepare a detailed action plan, including administrative and policy reforms, on the basis of recommendations of strategy assessment report;
 - v) Identification of revisions or drafting of legal instruments;
 - vi) Incorporating comments/suggestions in proposed drafts of the legal instruments, of concerned Administrative Department(s), Finance Department and other stakeholders; and
 - vii) Responding to/addressing the queries raised by any stakeholders, including those of Baluchistan's

- iii. No Expenditure, in any head of account, has been incurred over & above the limit imposed by the Finance Division;
- iv. Complete ban has been imposed on purchase of all type of vehicles for current and development expenditure excluding motorcycles, student buses, ambulances and fire fighting vehicles;
- v. Ban has been imposed on creation of new posts except those required for development projects and approved by the competent authority;
- vi. Entitlement of periodical, magazines, newspapers etc of entitled officers is restricted to only one;
- vii. All Principal Accounting Officers have been asked to ensure rationalization of utility consumption, purchase of assets, repair and maintenance and keep all other operational expenditures at bare minimum level while remaining within the budgetary allocation for the financial year;
- viii. All outstation meetings are restricted to internet link (Zoom etc.) only, unless physical presence is reasonably justified and approved by the competent authority.

Government of Punjab

1. To ensure fiscal discipline and prudent financial management, all Administrative Departments were required to remain within budgetary allocations. Essential demands of additional resources were rationalized and were placed before the Provincial Cabinet for informed decision making. The Government also continued to follow strict austerity measures during the period to reduce non-essential expenditures.
2. The Province approved its policy framework for improved management of fiscal risks. The policy identifies potential challenges over the short, medium and long term and calls for provision of robust institutional mechanisms for effective response to these challenges.

- i. to provide accurate, comprehensive, consistent, reliable, timely and comparable debt statistics;
- ii. to provide information about debt service payments; composition and structure of debts; risks linked with foreign exchange borrowings for management of sustainable economic growth; and
- iii. to disseminate debt statistics i.e., parameters of external and domestic debts to policy makers, the general public, government officials, international organizations, investors in debt securities and other stakeholders for research and informed decision making.

Conclusion

As this report has shown, resource were shared during the period under consideration in accordance with the provision of the 7th NFC Award, which was given legal cover through Distribution of Revenues and Grants in Aid Order, 2010 (President's Order No.5 of 2010). Furthermore, the Federal and the Provincial Governments are making efforts to enhance revenue generation. However, the Covid-19 pandemic has hampered the impact of these measures. Nevertheless, adoption of austerity measures to curtail unnecessary expenditures and maintaining fiscal discipline as outlined in the report, has proved to be effective.

AND WHEREAS the said Commission has also submitted its recommendations with regard to the said distribution;

NOW, THEREFORE, in pursuance of clause (4) and (7) of Article 160 of the Constitution, the President is pleased to make the following Order:-

1. **Short title and commencement.**- (1) This Order may be called the Distribution of Revenues and Grants-in-Aid Order, 2010.

(2) It shall come into force on the first day of July, 2010.

2. **Definitions.**—In this Order, unless there is anything repugnant in the subject or context,—

(a) **“net proceeds”** means, in relation to any tax, duty or levy, the proceeds thereof reduced by the cost of collection, as ascertained and certified by the Auditor-General of Pakistan; and

(b) **“taxes on income”** includes corporation tax but does not include taxes on income consisting of remuneration paid out of the Federal Consolidated Fund.

3. **Distribution of Revenues.**- (1) The divisible pool taxes in each year shall consist of the following taxes levied and collected by the Federal Government in that year, namely:-

- a. taxes on income;
- b. wealth tax;
- c. capital value tax;
- d. taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;
- e. export duties on cotton;
- f. customs-duties;
- g. federal excise duties excluding the excise duty on gas charged at well-head; and
- h. any other tax which may be levied by the Federal Government.

(2) One percent of the net proceeds of divisible pool taxes shall be assigned to Government of Khyber Pakhtunkhwa to meet the expenses on war on terror.

6. Payment of net proceeds of development surcharge on natural gas to the Provinces.- (1) Each of Provinces shall be paid in each financial year as a share in the net proceeds to be worked out based on average rate per MMBTU of the respective province. The average rate per MMBTU shall be derived by notionally clubbing both the royalty on natural gas and development surcharge on Gas. Royalty on natural gas shall be distributed in accordance with clause (1) of Article 161 of the Constitution whereas the development surcharge on natural gas would be distributed by making adjustments based on this average rate.

(2) The development surcharge on natural gas for Balochistan with effect from 1st July, 2002, shall be re-worked out hypothetically on the basis of the formula given in clause (1) and the amount, subject to maximum of ten billion rupees, shall be paid in five years in five equal installments by the Federal Government as grants to be charged on the Federal Consolidated Fund.

7. Grants-in-Aid to the Provinces.---There shall be charged upon the Federal Consolidated Fund each year, as grants-in-aid of the revenues of the province of Sindh an amount equivalent to 0.66% of the provincial share in the net proceeds of divisible pool as a compensation for the losses on account of abolition of octroi and zilla tax.

8. Sales tax on services.---NFC recognizes that sales tax on services is a Provincial subject under the Constitution of the Islamic Republic of Pakistan, and may be collected by respective Provinces, if they so desired.

9. Miscellaneous.---(1) NFC also recommended increase in the rate of excise duty on natural gas to Rs.10.0 per MMBTU. Federal Government may initiate necessary legislation accordingly.

(2) The NFC recommended that the Federal Government and Provincial Governments should streamline their tax collection systems to reduce leakages and increase their revenues through efforts to improve taxation in order to achieve a 15% tax to GDP ratio by the terminal year i.e. 2014-15. Provinces would initiate steps to effectively tax the agriculture and real estate sectors. Federal Government and Provincial Government may take necessary administrative and legislative steps accordingly.

(3) Federal Government and Provincial Governments would develop and enforce mechanism for maintaining fiscal discipline at the Federal and Provincial levels through legislative and administrative measures.

(4) The Federal Government may assist the Provinces through specific grants in times of unforeseen calamities.

ECONOMY/AUSTERITY MEASURES

- 1) **There shall be a complete ban on:**
 - i. Participation in workshops/seminars and training abroad involving provincial funds.
 - ii. Holding Seminars and Workshops in Five Star Hotels involving Provincial funds.
 - iii. Treatment abroad on Provincial Government's expense.
- 2) All Administrative Secretaries and Heads of Autonomous/Semi-Autonomous Bodies, being Principal Accounting Officers, shall conduct meetings of Departmental Accounts Committee regularly under to intimation of Finance Department so as to ensure internal audit of their respective Departments /Organizations.
- 3) To bring efficiency in revenue collections, "**Provincial Revenues Review Committee**" shall meet regularly under the chairmanship of Minister Finance to review the performance of all revenue collecting entities of the Provincial Government and to propose structural changes, performance indicators, legal reforms and other realignments in the procedures.
- 4) All Administrative Secretaries shall conduct review meeting on progress on the targets against key performance indicators (KPIs) of their respective Departments quarterly under intimation to Finance Department.
- 5) Contingent paid staff shall be engaged during the course of the financial year 2021-22 only after approval of the Finance Department.
- 6) No appointment shall be made against leave vacancies without prior approval of Finance Department.
- 7) No appointment will be made against vacant posts (except appointment by promotion) without obtaining NOC from the concerned Surplus Pool.
- 8) Principal Accounting Officers will make sure that no appointment is made against a vacant post of dying cadre and will also initiate disciplinary action, if any such appointments have been made previously.

- 15) Finance Department shall undertake next phase of the expenditure review to realize further savings as part of an integrated sectoral review process.
- 16) P&D Department shall initiate district and sectoral plans spread over the next three (03) years as part of the mid-term development frame work for the purpose of improved planning and eliminate wasteful expenditure.
- 17) All Autonomous / Semi-Autonomous bodies, Medical Teaching Institutions, other Institutions and Authorities under Provincial Government shall adopt the measures within their respective organizations with the approval of their competent forums.
- 18) Keeping in view the financial crunch on account of COVID-19, Finance Department shall carry out monthly Receipts and Expenditure reviews and adjust the release under various heads including development release accordingly.
- 19) Principal Accounting Officers shall overall review the Departmental overall budgets and ensure judicious spending of various entities. Any intra departmental adjustments/ re-appropriations shall be preferably done at level of Principal Accounting Officers to bridge budgetary/ release gaps.
- 20) The Chief Minister may constitute a Cabinet Committee to review the fiscal situation and recommend measures to ensure availability of fiscal space for key service delivery sectors and flagship priorities of the Government.
- 21) A Budget Management Committee to be chaired by Hon'able Chief Minister, Khyber Pakhtunkhwa, comprising of Minister Finance, Additional Chief Secretary and Secretary Finance shall review budget utilization and the financial position of the province on a monthly basis.

system by Administrative Departments themselves and not by the Finance Department.

6. No re-appropriation shall be made against those schemes wherefrom funds are re-appropriated to other schemes, during current financial year.
7. No re-appropriation shall be made from the "High Impact Priority Projects".

(B) CURRENT EXPENDITURE – PROVINCIAL

S#	OBJECTS	FUNDS TO BE RELEASED
1	Salary* (<i>except Honoraria which shall be released on case-to-case basis</i>)	100%
2	Electricity Sui Gas Charges Advertisement Charges (Current side only) Financial Assistance to the families of Government servants who die while in service	100%
3	Rest/Others	75%
4	Purchase of Physical Assets	75%
5	Maintenance & Repair **	75%
6	Wheat Subsidy	Release on need basis.
7	Medical Teaching Institutions (MTIs)	25% each quarter; However, 4 th quarter release shall be subject to availability of financial resources.
8	Funds at the disposal of Finance Department	Release on case-to-case basis through re-appropriation as per Guidelines contained in Finance Department's circular letter No. BO. I/FD/5-17/2014 - 15 dated 12/06/2015
9	S.N.E (Fresh)	Authentication of Audit Copy by the Finance Department

NOTE:

1. **Medical Charges*:-** The funds released under object A01274- Medical Charges shall be utilized by the concerned sanctioning authorities only upto the limit of medical re-imburement claims

ii. **CURRENT EXPENDITURE (LOCAL GOVERNMENT)**

S.#	GRANT	FUNDS TO BE TRANSFERRED
1.	Salary	On monthly instalment basis subject to adjustment of balance available from previous month.
2.	Non-salary	On quarterly instalment basis subject to availability of financial resources.

(D). **GRANT TO LOCAL COUNCILS**

SR.#	GRANT	FUNDS TO BE TRANSFERRED
1.	TMA	On monthly installment basis subject to availability of financial resources.
2.	Grant to VCs/NCs	100% share of the Grant on monthly installment basis subject to availability of financial resources.
3.	Cantt: Board	On monthly installment basis subject to availability of financial resources.

(E). **DEVELOPMENT AUTHORITIES**

Grant in Aid shall be released to the concerned development authority on quarterly basis.

(F). **URBAN IMMOVABLE PROPERTY TAX**

UIPT shall be transferred to respective Development Authorities/TNAs on quarterly basis. During 1st quarter, the amount transferred may be based on provisional estimates. Any adjustments may be made to these amounts in the following quarter based upon actual collections.

